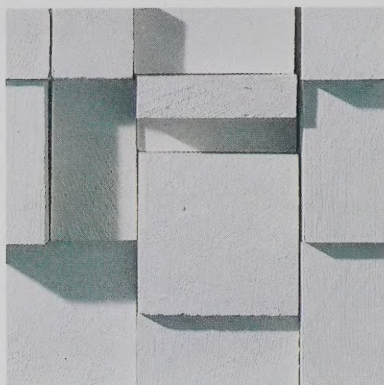




sub

MacMillan Bloedel Limited

Annual Report 1970



Contents

Inside Front	Summary of Significant Facts
1	Directors' Report to the Shareholders
18	Historical Review
20	Consolidated Financial Statements
28	Operations and Directors
Inside Back	Distribution Centres, Principal Subsidiary Companies and Officers

Summary of Significant Facts

	Year ended December 31 1970*	Year ended December 31 1969*
EARNINGS		
Income		
Sales of products and services	\$646,116,116	\$638,410,876
Other income	4,985,188	6,055,903
Total income	\$651,101,304	\$644,466,779
Earnings before income taxes and minority interests	\$ 36,425,704	\$ 91,089,308
Net earnings after income taxes and minority interests		
Amount	\$ 17,425,816	\$ 42,550,721
Per share	\$.83	\$ 2.04
Charge for		
Depreciation	\$ 35,594,145	\$ 32,843,569
Depletion	6,534,581	7,918,107
Amortization of logging roads	6,102,465	6,284,897
	\$ 48,231,191	\$ 47,046,573
Earnings retained in business at end of year	\$211,725,298	\$215,253,701
BASIC CASH FLOW		
Amount	\$ 66,097,087	\$ 94,604,872
Per share	\$ 3.17	\$ 4.53
CAPITAL EXPENDITURES	\$ 46,728,482	\$105,092,056
PERCENTAGE OF LONG TERM DEBT TO TOTAL CAPITAL EMPLOYED (including deferred tax)	36.2	37.0
DIVIDENDS		
Cash — Ordinary shares		
Amount	\$ 20,876,330	\$ 20,870,599
Per share	\$ 1.00	\$ 1.00
Cash — Preference shares		
Amount	\$ 77,889	\$ 77,889
Per share	\$.03	\$.03
EMPLOYEES		
Wages, salaries and employee benefits	\$173,729,434	\$167,928,944
Number at end of year	18,932	18,632
SHAREHOLDERS		
Number at end of year**	21,575	22,282

*Statistics and charts throughout this report do not reflect the consolidation of overseas subsidiaries other than for equity in net earnings (see Note 1 to Financial Statements).

**Excluding holders of share warrants.

Certain 1969 figures have been restated for comparison with 1970.



Woodgrain cabinets to serve a growing market in which MacMillan Bloedel plans to achieve a greater share of sales.

ITEMS OF INTEREST

The Company is continuing to move vigorously into the furniture and kitchen cabinet market and now has introduced a wide range of new vinyl woodgrain panels and a custom coating service for large customers in these fields. Production of the first of more than fifty woodgrain panels, known as k3 Vinyl Overlaid millwork panels, commenced recently and the product now is on the market. The new prefinished product, with a heavy vinyl overlay, has all the advantages of conventional vinyl overlaid panels — low cost, handsome appearance and easy maintenance. The basic panel is MacMillan Bloedel's k3 particleboard and the extra depth of the vinyl overlay ensures great durability. The broad range of woodgrain panels bear such names as Noble Walnut, Honey Nut Pecan, Kings Walnut and Spanish Oak. They are being manufactured in the Company's Specialty Board Division in Vancouver and the marketing target is all of Canada. The Company has also successfully introduced a custom coating service for large builders in western Canada and this program now is being extended to eastern Canada. The market for built-in kitchen cabinets and cupboards in new high-rise apartments and other large building projects is growing and it is the Company's intention to gain a greater share of this market and the furniture market.

AR07



**MacMillan
Bloedel Limited**

and Subsidiary Companies

Report to the Shareholders for the Six Months Ended June 30, 1970

*Restated in order to compare with 1970.

Contents

Inside Front	Summary of Significant Facts
1	Directors' Report to the Shareholders
18	Historical Review
20	Consolidated Financial Statements

CONSOLIDATED STATEMENT OF EARNINGS

SIX MONTHS ENDED JUNE 30 (in millions of dollars)

	1970	1969	1968	1967
Sales and Other Income				
Sales of Products and Services	\$320.3	\$326.7	\$285.8	\$272.6
Other Income	3.8	3.2	2.5	3.4
	<u>\$324.1</u>	<u>\$329.9</u>	<u>\$288.3</u>	<u>\$276.0</u>
Earnings before deducting Undernoted Items	\$ 57.3	\$ 80.6	\$ 64.7	\$ 62.7
Depreciation, Depletion and Amortization	22.8	21.5	17.6	14.1
Interest on Borrowed Money	9.2	6.5	6.5	5.2
	<u>32.0</u>	<u>28.0</u>	<u>24.1</u>	<u>19.3</u>
Earnings before deducting Income Taxes and Minority Interests	25.3	52.6	40.6	43.4
Income Taxes:				
Current	13.5	28.1	18.8	13.5
Deferred . . . . .	.3	(.6)	3.6	9.0
	<u>13.8</u>	<u>27.5</u>	<u>22.4</u>	<u>22.5</u>
Earnings before deducting Minority Interests	11.5	25.1	18.2	20.9
Minority Interests in Earnings of Consolidated Subsidiaries . . . . .	.3	.1	(.6)	—
Net Earnings for the Six Months	<u>\$ 11.2</u>	<u>\$ 25.0</u>	<u>\$ 18.8</u>	<u>\$ 20.9</u>
Earned per Share (dollars)	<u>\$.54</u>	<u>\$ 1.20</u>	<u>\$.90</u>	<u>\$ 1.00</u>

NOTE: Subject to audit.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL

SIX MONTHS ENDED JUNE 30 (in millions of dollars)

	1970	1969	1968	1967
Source of Working Capital				
Net Earnings	\$ 11.2	\$ 25.0	\$ 18.8	\$ 20.9
Non-cash Charges				
Depreciation, Depletion and Amortization	22.8	21.5	17.6	14.1
Deferred Income Taxes . . . . .	.3	(.6)	3.6	9.0
Minority Interests in Earnings of Consolidated Subsidiaries . . . . .	.3	.1	(.6)	—
Proceeds from Debentures and Other Long-term Debt	—	.7	7.4	—
Issue of Shares	—	.5	—	—
Realization of Funds allocated for Capital Purposes*	1.0	4.6	19.6	11.7
	<u>35.6</u>	<u>51.8</u>	<u>66.4</u>	<u>55.7</u>
Application of Working Capital				
Net Additions to Property, Plant and Equipment	19.8	32.4	31.5	44.5
Investments and Other Assets	1.8	5.9	11.8	2.9
Dividends Paid	10.4	10.4	10.4	12.5
Payments of, and Current Provision for, Long-term Debt	5.6	4.3	2.6	2.2
Sundry	—	—	3.7	1.6
	<u>37.6</u>	<u>53.0</u>	<u>60.0</u>	<u>63.7</u>
Increase (Decrease) in Working Capital	(2.0)	(1.2)	6.4	(8.0)
Working Capital at Beginning of Period	97.4	98.5	90.3	90.1
Working Capital at End of Period	<u>\$ 95.4</u>	<u>\$ 97.3</u>	<u>\$ 96.7</u>	<u>\$ 82.1</u>

* Of this \$1.0, \$.8, \$18.5 and \$11.2 million respectively in the years 1970, 1969, 1968 and 1967 represent funds released by the trustee for the bondholders of the Alabama project.

NOTE: Subject to audit.

TO THE SHAREHOLDERS

Sales and other income for the six months ended June 30th, 1970 amounted to \$324,144,430 compared with \$329,880,086 for the corresponding period in the previous year. This decrease is the result of the same conditions which caused the decline in profits mentioned in the letter to shareholders dated July 15th, 1970.

Earnings dropped from \$25,026,012 (\$1.20 per share) for the first half of 1969 to \$11,193,645 (\$.54 per share) for the first half of 1970 for substantially the same reasons.

Negotiations for the sale of two paper machines to Belkin Packaging Ltd. were concluded on June 30th and the book profit of \$1,715,204 on the sale (net profit of \$833,418 after tax due to the recapture of previously claimed depreciation) has been included under "Other Income" in a manner consistent with similar items in previous years. This profit, while not material in considering the results of a whole year, nevertheless is significant in relation to the net earnings obtained in the second quarter which amounted to \$4,035,062.

The labour situation in British Columbia continues to be marred by turmoil.

Although the construction industry has resumed operation the settlement procedures now being conducted by the Deputy Minister of Labour were only accepted by the unions after the Government had agreed to postpone the application of compulsory measures under the Mediation Commission Act following a serious confrontation by those leaders of organized labour responsible for dictating policy. In these circumstances possible settlements may be costly and uneconomic.

In the pulp and paper area the Company is dealing with three unions which have separate certification in the Company's several plants. The reappointment of a mediation officer in connection with negotiations with the Pulp and Paper Workers of Canada failed to forestall a strike which now affects one half of the pulp and paper industry in British Columbia, including the Company's plant at Harmac. It is uncertain how or when negotiations which were broken off by the Union will resume. The Company will continue to maintain its position



**MacMillan
Bloedel Limited**

and Subsidiary Companies

**Interim Report
to the Shareholders for
the Year Ended
December 31, 1970**

st

r
of
y
id,

d
d a

N-
r
3

Contents

Inside Front	Summary of Significant Facts
1	Directors' Report to the Shareholders
18	Historical Review
20	Consolidated Financial Statements

CONSOLIDATED STATEMENT OF EARNINGS

Sales and Other Income	
Sales of Products and Services	
Other Income	
Earnings before deducting Undernoted Items	
Depreciation, Depletion and Amortization	
Interest on Borrowed Money	
Earnings before deducting Income Taxes and Minority Interests	
Income Taxes:	
Current	
Deferred	
Earnings before deducting Minority Interests	
Minority Interests in Earnings of Consolidated Subsidiaries	
Net Earnings for the Six Months	
Earned per Share (dollars)	

NOTE: Subject to audit.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL

Source of Working Capital	
Net Earnings	
Non-cash Charges	
Depreciation, Depletion and Amortization	
Deferred Income Taxes	
Minority Interests in Earnings of Consolidated Subsidiaries	
Proceeds from Debentures and Other Long-term Debt	
Issue of Shares	
Realization of Funds allocated for Capital Purposes*	
Application of Working Capital	
Net Additions to Property, Plant and Equipment	
Investments and Other Assets	
Dividends Paid	
Payments of, and Current Provision for, Long-term Debt	
Sundry	
Increase (Decrease) in Working Capital	
Working Capital at Beginning of Period	
Working Capital at End of Period	

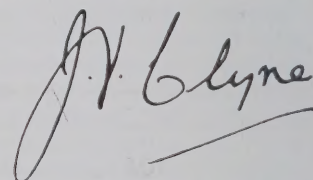
* Of this \$1.0, \$.8, \$18.5 and \$11.2 million respectively in the years 1970, 1969, 1968 and 1967 represent funds released by the trustee for the bondholders of the Alabama project.

NOTE: Subject to audit.

that it will only agree to a reasonable settlement through the good offices of the mediation officer or otherwise.

Negotiations with the International Brotherhood of Pulp, Sulphite and Paper Mill Workers, and the United Papermakers and Paperworkers had been proceeding amicably. These talks, too, broke down and a strike was threatened which, however, has been postponed while the parties continue discussions through the auspices of a mediation officer.

As mentioned in the letter to shareholders dated July 15th, 1970 Mr. Justice Nemetz is presently holding public hearings in an attempt to resolve the dispute between the forest industry of British Columbia and the International Woodworkers of America. Work is continuing in the woods and sawmills and it is expected that such hearings will continue for another week before a decision is reached by the tribunal.



Vancouver, Canada
July 31, 1970

Chairman and
Chief Executive Officer

stoppages resulting from strikes of employees of another industry (the towboat industry) over which the Company had no control.

The problems of increased costs and foreign exchange values have carried over into 1971 but signs of improvement in the wood products segment of the market and an increase in Western Region newsprint prices which went into effect on January 1, 1971 coupled with what seem to be fair expectations of labour peace in areas affecting our industry give reasonable grounds for expecting an upturn in earnings during the current year.

J. V. Blyne
Chairman and
Chief Executive Officer

Vancouver, Canada
February 24, 1971

AR07



**MacMillan
Bloedel Limited**
and Subsidiary Companies

**Interim Report
to the Shareholders for
the Year Ended
December 31, 1970**

ost
n
of
ly
nd,
d
d a
W-
n
e

Contents

Inside Front	Summary of Significant Facts
1	Directors' Report to the Shareholders
18	Historical Review

INTERIM REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 1970

As in prior years, this short interim report of the financial results of the Company's operations for the year ended December 31, 1970 is presented so that shareholders may see the results as early as possible. The complete financial statements and the Auditors' Report thereon will be mailed in April to all shareholders together with notice of the annual meeting.

The year was the most difficult one experienced by the Company and by the Canadian forest industry generally during the post-war era. Sales and other income reached the record level of \$651,101,304 (as compared to \$644,466,779 in 1969) but a combination of adverse circumstances prevented these sales from producing a satisfactory level of earnings. Three factors—loss of production due to

strikes, depressed prices in the lumber and plywood markets, coinciding with sharp cost increases, and a reduction in the sales values outside Canada due to the change in value of the Canadian dollar relative to the U.S. dollar—resulted in a decline in the Company's net earnings for the year from \$42,550,721 in 1969 to \$17,425,816 in 1970.

Work stoppages materially damage the corporate ability to produce earnings, even during periods of depressed markets, because they prevent the Company from taking full advantage of shifts in demand and prices which continue to occur despite economic recessions. It was particularly unfortunate, therefore, that the Company's efforts to minimize the effects of difficult markets were impeded during 1970 not only by strikes but also by work

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31 (in millions of dollars)

	1970	1969
Sales and Other Income		
Sales of Products and Services	\$ 646.1	\$ 638.4
Other Income	5.0	6.1
	<u>\$ 651.1</u>	<u>\$ 644.5</u>
Earnings before deducting undernoted items	<u>\$ 103.2</u>	<u>\$ 151.8</u>
Depreciation, Depletion and Amortization	48.2	47.0
Interest on Borrowed Money	18.6	13.7
	<u>66.8</u>	<u>60.7</u>
Earnings before deducting Income Taxes and Minority Interests	<u>36.4</u>	<u>91.1</u>
Income Taxes:		
Current	17.6	41.9
Deferred	1.2	6.0
	<u>18.8</u>	<u>47.9</u>
Earnings before deducting Minority Interests	17.6	43.2
Minority Interests in Earnings of Consolidated Subsidiaries . . . . .	.2	.6
Net Earnings for the Year	<u>\$ 17.4</u>	<u>\$ 42.6</u>
Earned per Share (dollars)	<u>\$.83</u>	<u>\$ 2.04</u>

NOTE: Subject to audit.

Directors' Report to the Shareholders

In 1970 a number of deep and persistent economic problems which have been growing in intensity in North America for the past several years, coupled with extremely damaging work stoppages, gave rise to a year of extraordinary difficulty for MacMillan Bloedel and the forest industry generally.

As a result, the Company's earnings for 1970 declined from \$42,550,721 in 1969 (\$2.04 per share) to \$17,425,816 (\$.83 per share). Cash flow declined correspondingly from \$94,604,872* (\$4.53* per share) to \$66,097,087 (\$3.17 per share)— a drop of approximately 30%.

The economic problems stem from a continuing failure by Western society to exert the self-discipline essential to sustained growth and employment without giving rise to destructive inflationary pressures. As a result of such failure, governments must necessarily apply fiscal and monetary restrictions in an

attempt to control inflation. Such measures, unfortunately, are far from precise in their effect and, as has happened before, the most recent application of fiscal and monetary restraints culminated in a sharp recession in both the United States and Canada. Many of the difficulties encountered by the Company in 1970 can be traced to these problems and, in fact, a substantial portion of the decline in earnings in 1970 was attributable to a combination of depressed markets for wood products, inflationary increases in costs and a very sharp decrease in the value of sales to the United States and other countries following the Canadian Government's decision on May 31, 1970 to abandon a fixed exchange rate for the Canadian dollar.

The largest single cause of the decrease in profits in 1970, however, was the loss of production and the loss of sales resulting directly or indirectly from strikes which

*Restated in order to compare with 1970.

occurred in British Columbia during the year at times when such production and sales were crucial to Company profits.

The total amount of working time lost to the Company in 1970 in Canada resulting from legal and illegal strikes was approximately 2 million man hours, representing 6.3% of the total hours worked in MacMillan Bloedel's operations throughout Canada. The single most harmful strike was that in the towboat industry in British Columbia which lasted from May 4, 1970 until June 13, 1970. This strike, over which the Company had no control, caused most of the Company's Wood Products and Logging operations and the Alberni and Powell River Pulp and Paper mills to shut down from time to time over a period of eight weeks.

Having regard to these circumstances, satisfaction can be derived from the fact that the Company's total income for the year actually increased slightly from \$644,466,779 to \$651,101,304. The high sales volume meant that the Company was able for much of the year to maintain employment at levels higher than the depressed state of the economy would otherwise indicate. However, the adverse factors already mentioned prevented these sales from giving rise to a satisfactory level of earnings.

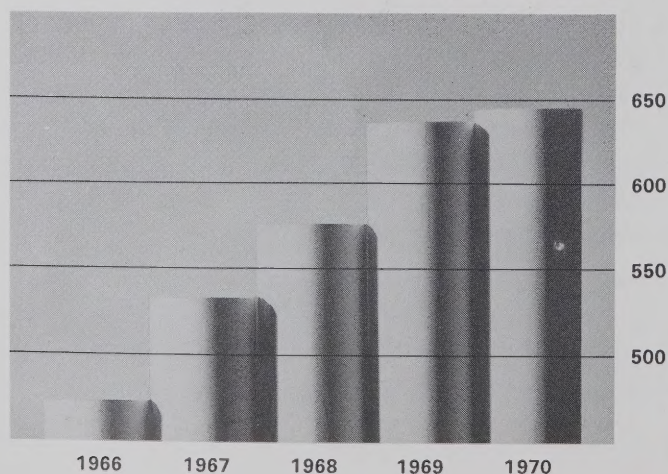
1970 was, therefore, a year of testing but the steps taken in recent years to improve the

strength and balance of MacMillan Bloedel permitted the Company to weather it without any diminution in its ability to resume its profit growth when extraneous conditions permit. It was with this confidence in the future in mind that your Directors considered it desirable to continue dividend payments during 1970 at the level of \$1.00 per share despite the decrease in earnings.

With respect to short term future prospects, the Company and the industry generally carried into 1971 the problems engendered by the unpegging of the Canadian dollar and sharp increases in labour costs. There is little sign at the present time of the Canadian dollar settling back to a value vis-a-vis the United States dollar at which the Canadian Government would contemplate re-pegging it. The involuntary price decrease of approximately 6% which has occurred in many of the Company's major markets as a result of the Canadian dollar being freed will likely continue therefore, for at least a substantial part of 1971. However, prospects for some improvement in North American markets in 1971 appear to be emerging. The large-scale home building programme necessary to fulfill latent demand made a modest beginning in 1970 and the reduction in interest rates and increasing availability of mortgage money augurs well for its acceleration during 1971. In such event, the Wood Products Group of the Company will benefit. This Group

1. Sales of Products and Services

Millions of dollars



2. Sales of Products by Markets

	1970	1969
U.S.A.	38.9%	42.6%
B.C.	6.9%	8.0%
Rest of Canada	14.6%	16.4%
U.K.	7.6%	7.2%
Japan and Orient	11.7%	9.6%
Other	20.3%	16.2%

accounts for approximately one half of the sales of MacMillan Bloedel, and any significant improvement in profit margins in this segment of the Company's operations will contribute very materially to an improvement in the Company's total earnings.

As far as other products are concerned, the demand for pulp has softened somewhat but is expected to recover during the year and the moderate recovery in the United States' economy overall, which many economists are forecasting for the later months of 1971, may sharpen demand for newsprint, linerboard and packaging products.

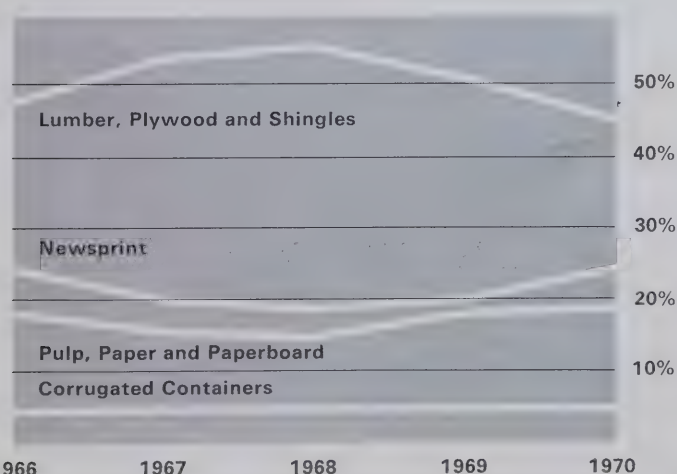
On balance, there are grounds for some optimism with respect to an improvement in the profit picture for 1971.

In the longer term, world demand for forest industry products continues to grow and the possibilities of very significant growth for the industry remain undiminished. The full potential of the industry and of the economy as a whole will not be achieved, however, until the erratic swings in the North American economy are removed or reduced by the elimination of the distortions and dislocations which result from present wage settlement philosophies and practices. The present systems and concepts involved in the allocation of fair returns to labour and capital have become less and less appropriate to the requirements of the times. It is imperative

that imagination and leadership be exhibited by management, labour and government in determining newer more mature approaches under which all parties would benefit but which would work in phase with economic requirements.

A review of each of the Company's principal areas of operations in 1970 follows.

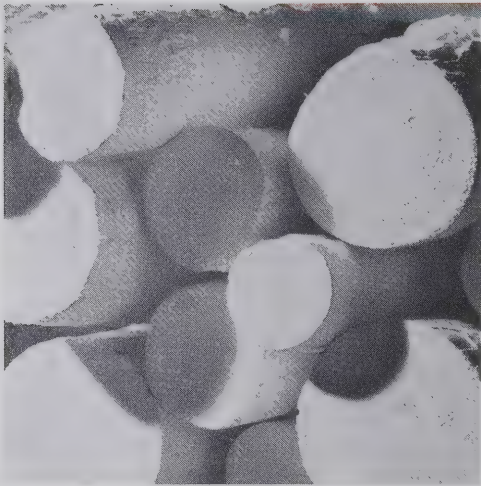
3. Percentage Contribution to Sales by Products



4. Distribution of Total Income

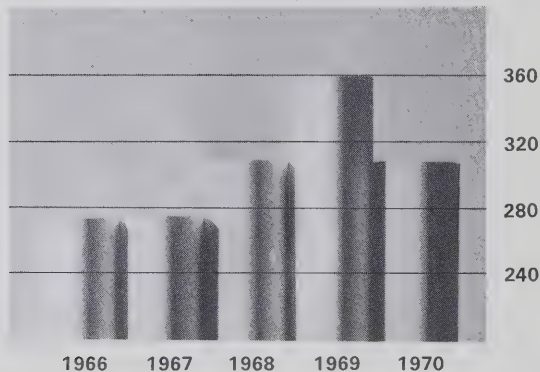
	1970	1969
Purchase of Goods, Supplies and Services	57.8%	50.0%
Wages, Salaries and Employee Benefits	26.7%	26.0%
Federal, Provincial and Municipal Direct Taxes	5.4%	10.0%
Depreciation, Depletion and Amortization	7.4%	7.3%
Dividends	3.2%	3.3%
Earnings Retained	(.5%)	3.4%

Logging



5. Logs

Production, million cubic feet



A number of the difficulties which affected all aspects of the Company's operations in 1970 gave rise to a decline in log production compared with 1969. The equivalent of twenty-three production days were lost as a result of the towboat strike and ten because of a subsequent slowdown in demand for logs. A further eighteen production days were lost due to adverse weather conditions.

MacMillan Bloedel's log production in British Columbia during recent years has been as follows:

Year	MM Cu. Ft.	MM FBM
1970	277	1553
1969	335	1878
1968	295	1650
1967	275	1540
1966	273	1536

Low production combined with increases in the costs of labour, equipment, supplies and services caused logging costs to increase in 1970 over 1969 levels. And although stumpage and royalty payments to the British Columbia Government were reduced as a result of lower volumes and lower log prices,

Forestry



Notwithstanding restrictions imposed by weather conditions and strikes, the objectives of the intensive forestry management programme were met in 1970 and over 34,000 acres of forest lands owned or managed by the Company received treatment aimed at increasing timber yield. As part of this activity, forestry crews planted 6.5 million seedlings on 18,500 acres — exceeding the previous record year by more than 4,000 acres. The planting method of packing the roots of seedlings with a special mixture of clay and peat moss was used extensively and was extremely useful in assisting the seedlings to survive the very dry summer. Since

the Provincial timber taxes, licences and fees payable by the Company continued on an upward trend.

Year	Crown Stumpage & Royalties	Timber Taxes, Licences and Fees	Total
1970	\$5,187,000	\$4,554,000	\$ 9,741,000
1969	\$7,144,000	\$4,066,000	\$11,210,000
1968	\$4,618,000	\$3,072,000	\$ 7,690,000

A number of steps were taken during 1970 in a continuing effort to maintain or increase production and improve profitability. The technique of grapple yarding, which permits a safer and more efficient method of withdrawing logs from the cutting areas to logging truck loading areas, was applied at several more locations and with particular success at Shawnigan, Kelsey Bay and Queen Charlotte Divisions. The dry land mechanized log sorting operations, which were installed in 1969, were improved in 1970. Increased end-product value from better sorting and grading has resulted from these facilities and the problems of debris and escaping logs have been eliminated in the areas involved.

In order to maximize the increases in productivity afforded by the modern logging equipment used by the Company, new maintenance shops were constructed, or are in the course of construction, at Sproat Lake, Chemainus and Eve River Divisions.

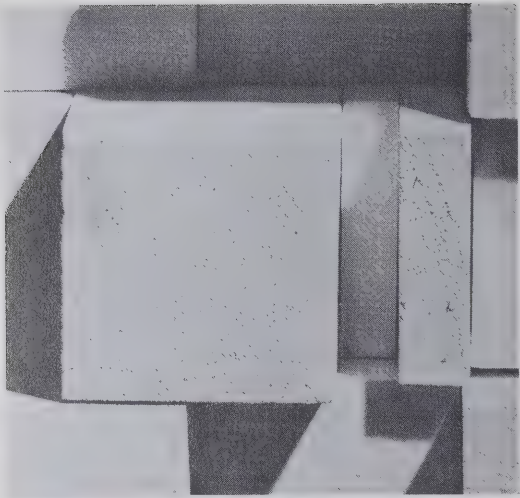
The Logging Group successfully commenced operations on Turnour Island during 1970. This location is less susceptible to snow conditions and will provide the Company with additional production capacity during the critical winter period. In total, the Company now carries on 27 logging operations in British Columbia.

No serious fires occurred on Company property during 1970 despite the extremely dry summer conditions, the Mars water bombers playing a particularly useful role in this regard. The total cost of fire fighting for the year was \$184,000.

the inception of its intensive forestry programme, now in its ninth year, the Company's forestry personnel have planted over 71 million seedlings. Even prior to designing the current programme, MacMillan Bloedel's reforestation and management practices were in line with the regulations imposed by the British Columbia Forest Service and, indeed, the Company pioneered private reforestation in British Columbia in 1938 with Plantation No. 1 at Great Central Lake on Vancouver Island.

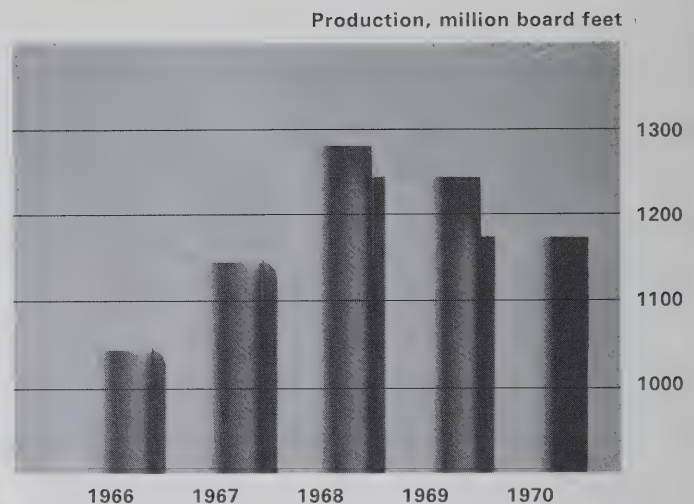
The intensive forestry management programme in all its aspects has assisted the

Company to achieve one of the highest allowable annual timber harvests in North America thus assuring the Company of a continuing raw material supply for its manufacturing plants.



Wood Products

6. Lumber



The Wood Products Group was particularly hard-hit by the various adverse factors which affected the 1970 results. The dominant obstacles, however, were work stoppages and a continuation from 1969 of the depressed markets in North America. Governmental assistance or promises of assistance for housing construction proved insufficient in 1970 to bolster a demand which was slowed down by the depressed state of the economies of both Canada and the United States. As a result, wood product prices remained at unsatisfactory levels and demand for higher grades of wood products softened in the latter part of the year. The unauthorized work stoppages which occurred at the Company's plants as a result of the towboat strike caused a reduction in sales in the earlier part of the year when the markets were less depressed and production could have been sold at higher profit margins.

Reflecting an increase in lumber sales to Japan and also the shipment of 1969 orders which had been delayed by work stoppages by dock workers, the Company's lumber shipment volumes actually increased in 1970 by nearly 5% when compared with 1969. The impact of this improvement was relatively modest, however, when matched against low

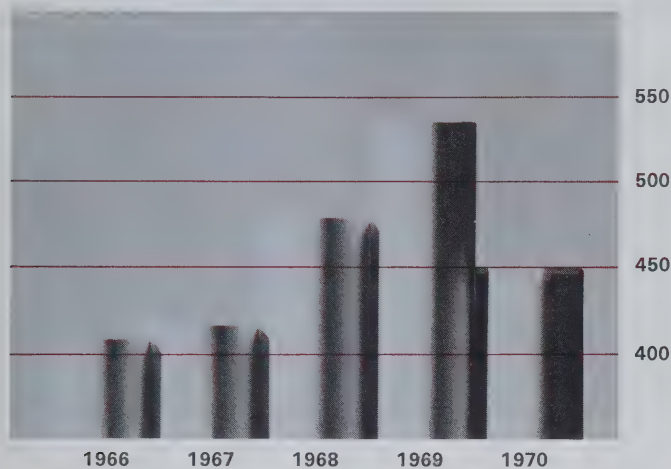
profit margins associated with higher labour costs, increased freight rates and the lower grades shipped. In addition, the increase in the value of the Canadian dollar following its release from a fixed exchange rate on May 31, 1970 reduced significantly the amount of Canadian dollar proceeds of non-Canadian sales.

The Company's plywood shipment volumes decreased from 1969 by almost 14% — the principal areas of reduction being Canada and the United Kingdom. Price levels also declined significantly, particularly in Canada where key items were down in excess of 10%, reflecting extremely intense competition, both domestic and from the United States, for the limited volume of business available. The Western Canadian plywood industry continues to be at a material disadvantage in this regard since softwood plywood may be imported into Canada from the United States at a 15% tariff whereas a tariff of 20% is exigible on Canadian shipments of softwood plywood into the United States, thus effectively eliminating that country as a market.

Shingle markets were weak all year with shipment volumes off 3% and sales values down 24% on average. On the manufacturing side, improvements in productivity arising

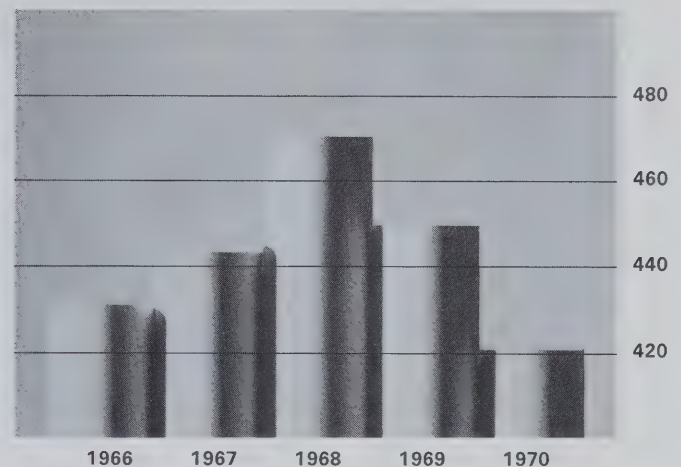
7. Plywood

Production, million square feet ($\frac{3}{8}$ ")



8. Shingles

Production, thousand squares



primarily from revisions to plant layouts helped considerably in offsetting increases in labour rates.

The consumer appeal of Aspenite waferboard panels continued to sustain demand for this product throughout 1970. The manufacturing facilities for the panels in Hudson Bay, Saskatchewan were expanded almost three-fold in 1969 with new production commencing in 1970. Although start-up problems with the new facilities were more numerous than originally anticipated, these have now been overcome to a large extent. During the year shipment volumes increased by 7% with the major portion of this increase attributable to entry into United States' markets.

Shipments of k3 particleboard also increased in 1970 by approximately 14% but sales values dropped almost 20% reflecting severe competition from imported boards manufactured mainly in the U.S.A.

Shipment volumes of specialty boards in 1970 decreased by 12% but Plygard and Uraply, the Company's two coated plywood concrete form products, continued to gain a high degree of consumer acceptance.

Under its agreement with British Columbia Forest Products Limited, the Company has

continued to sell lumber, plywood and shingles produced by the former, and in 1970 MacMillan Bloedel was also appointed agent for the sale of export lumber produced by Sooke Forest Products Limited.

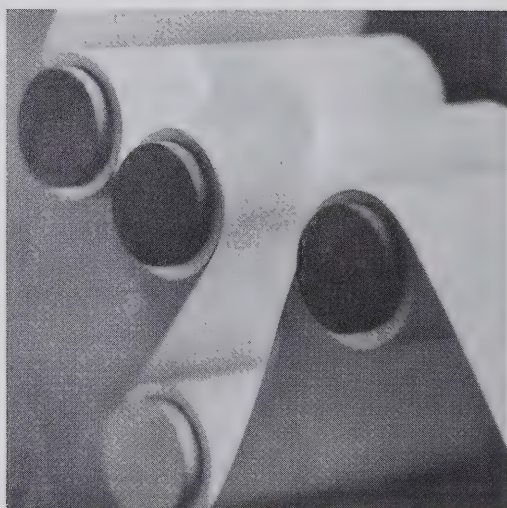
The Company has strengthened its distribution position in Ontario with the acquisition in August 1970 of R. Laidlaw Lumber Co. Limited.

In order to describe more accurately the function of the Wood Products Group within the Company, it has been recently renamed the Building Materials Group. In addition to the change in name, the organization of the Group has been restructured so as to increase the profitability of its operations by improving the co-ordination of the production and marketing functions. Under the new organization, involvement in profit planning will extend throughout the Group.

Production by product lines and sales by market are shown on graphs numbered 6 to 8 above and in table number 9 on page 8 respectively.

9. Sales of Lumber, Plywood and Shingles by Markets

	1966	1967	1968	1969	1970
U.S.A.	33%	36%	41%	40%	37%
B.C.	7%	5%	5%	6%	5%
Rest of Canada	19%	17%	15%	17%	15%
U.K.	15%	14%	9%	9%	10%
Japan and Orient	10%	13%	14%	10%	15%
Other	16%	15%	16%	18%	18%
	100%	100%	100%	100%	100%



Pulp & Paper

The handicap of work stoppages and the economic recession impeded the Pulp and Paper Group as it did the other activities of the Company. However, vigorous marketing efforts and sustained demand in some segments of the world market resulted in gross revenue from the pulp and paper operations increasing in 1970 by approximately 13% over 1969. Production from the four British Columbia mills was slightly below the 1969 level but an overall increase in pulp and paper production of just over 5% was

recorded due to the additional newsprint capacity of MacMillan Rothesay Limited, Saint John, New Brunswick. MacMillan Rothesay Limited is owned to the extent of 51% by MacMillan Bloedel Limited and to the extent of 49% by Feldmühle A.G.

The strong kraft pulp market which developed in 1969 continued in large measure for the first half of 1970, particularly for bleached grades, and prices were firm. During the second half of the year, demand declined somewhat as a result of a slowdown in the paper business generally, both in the United States and overseas. However, the Company's policy, begun in 1969, of concluding firm long term contracts with major customers on the basis of the Company's announced market prices proved most beneficial in providing stability to pulp sales and earnings.

As a result of a strike by the Pulp and Paper Workers of Canada which closed the Harmac mill for about eight weeks, almost 80,000 tons of pulp production was lost. Production at the Alberni and Powell River operations was also affected by the towboat strike. As a result of these harmful work stoppages, pulp production overall was 13% below the 1969 level. However, advance planning, outside purchases, and related measures enabled essential supplies to be maintained and customer relations were not adversely affected.

10. Sales of Newsprint, Pulp, Kraft Paper and Paperboard and Fine Paper by Markets

	1966	1967	1968	1969	1970
U.S.A.	59%	53%	50%	53%	47%
B.C.	8%	8%	8%	7%	5%
Rest of Canada	5%	4%	4%	3%	2%
U.K.	7%	9%	8%	7%	7%
Japan and Orient	8%	10%	11%	12%	11%
Other	13%	16%	19%	18%	28%
	100%	100%	100%	100%	100%

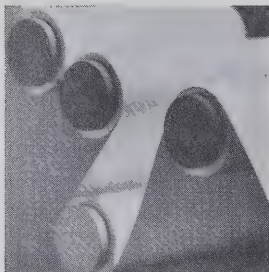
The newsprint market in the United States reacted rapidly to defence spending cut-backs and the general economic slow-down. Strikes at newspaper publishers in several Eastern United States cities and in Vancouver caused an even sharper drop in overall demand for the year. Because of these difficulties and others caused by the B.C. tow-boat strike, newsprint shipments to the Western Region of the United States and Canada were somewhat below the 1969 levels. The reduction in domestic shipments was more than offset, however, by intensified overseas marketing efforts which have resulted in MacMillan Bloedel becoming the most important offshore supplier of Canadian newsprint. In line with this increased emphasis, the Company's technical sales service was strengthened and broadened to cover world markets.

The total production of newsprint and groundwood specialty grades in the Company's B.C. mills was only slightly below the 1969 figures — production losses through work stoppages being largely offset by the Powell River No. 6 machine which was returned to service in April 1970 after being completely rebuilt. The Verti-Forma installation on this machine is a recent improvement in the papermaking process which results in the rapid formation of a paper with very even distribution of fibres. This feature, amongst

others, produces paper qualities much sought after by the publishing industry. The extension of the range of high quality groundwood paper grades produced at the Powell River mill has, therefore, added to the Company's marketing opportunities.

The newsprint machine at the MacMillan Rothesay mill operated continuously throughout the year, producing 179,000 tons of newsprint. Installation of the second newsprint machine at this mill proceeded as planned and the machine was brought on stream in March 1971. Plans for marketing the output from this machine, which will have a capacity of 180,000 tons per year are well advanced and include barging newsprint from the mill to United States Atlantic Coast ports. Deep sea barging, pioneered by the Company on the Pacific Coast, provides a more efficient form of transportation to customers on either side of the continent. The Atlantic Coast system will be similar to the method now employed by the Company in moving newsprint from its B.C. mills to California markets and this will be the first time barges have been used to transport Canadian newsprint to U.S. Atlantic Coast markets.

The slowdown of the United States economy had a marked effect on the demand for paperboard in that country and the overall production of paperboard in the United

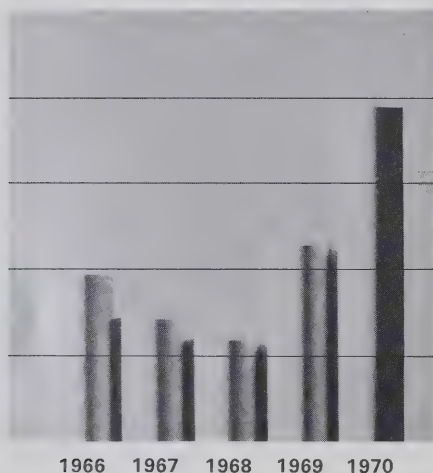


States was approximately 3½% below the 1969 level. This market condition combined with a five week strike resulted in lower production and shipments from MacMillan Bloedel United Inc. in Alabama. However, demand in both Western Canada and the United Kingdom remained relatively strong despite generally poor economic conditions. As a result, the Alberni kraft linerboard machine servicing these two markets operated at capacity throughout the year.

Both sales and production of fine paper

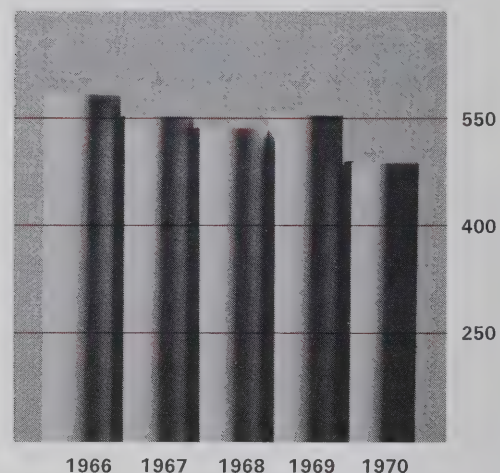
11. Newsprint

Production, thousand short tons

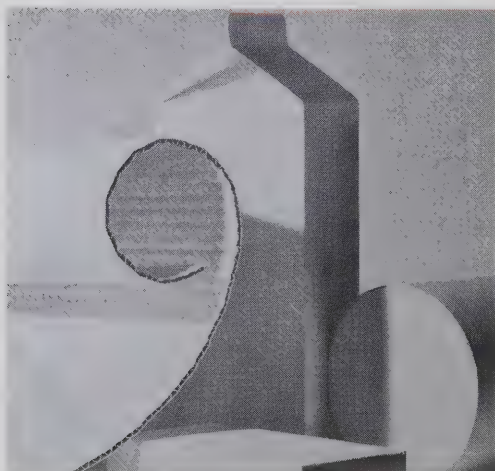


12. Pulp

Production, thousand short tons



Packaging

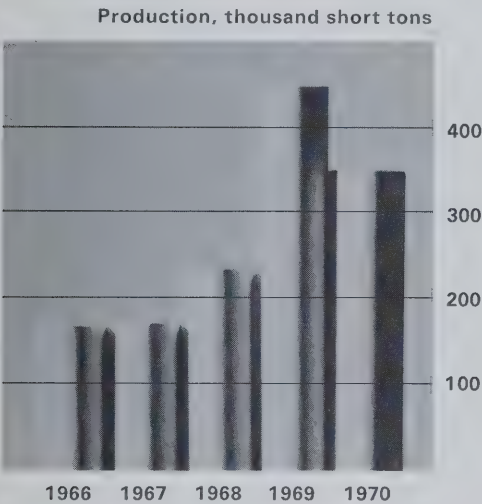


Since entering the paper and boxboard converting field with three corrugated box plants in 1954, MacMillan Bloedel has steadily expanded its packaging activities, and in responding to the exacting requirements of customers with respect to the quality of both box structure and graphic designs, MacMillan Bloedel has become a leader in the field. This factor, together with productivity benefits derived from careful machinery selection and layout, enabled the Packaging Group to increase sales and profits in 1970 in the face of sharp cost increases and reduced foreign currency values. Total sales in Canada, the United Kingdom and the United States in 1970

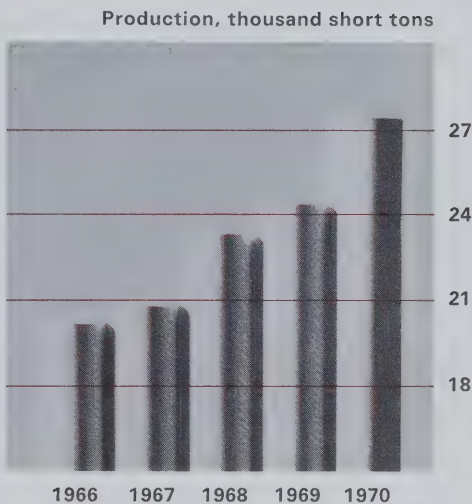
showed substantial gains over the previous year, despite some price erosion in the Western Canadian fine paper market caused by the revaluation of the Canadian dollar, and a reduction in demand due to the Canadian postal strike.

The graphs numbered 11 to 14 show production from the Company's pulp and paper mills and the table on page 9 shows the sales of newsprint, pulp, kraft paper and paperboard and fine paper by markets.

13. Kraft Paper and Paperboard

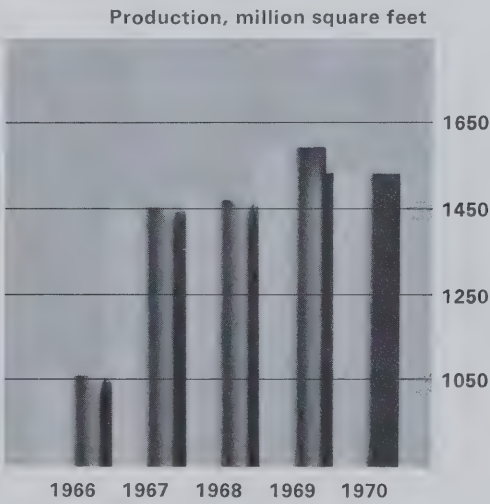


14. Fine Paper



increased by 5.7% over 1969. Minimal price increases were experienced in the United States markets and with respect to products of the Canadian folding box and bag plants but there were none relating to the products of the Company's corrugated box plants in Canada. There were some price increases in the United Kingdom which helped to offset increased costs. Capital expenditures incurred during the year related primarily to improvements in manufacturing facilities at the New Westminster Corrugated Container and Burnaby Bag plants and to the completion of a major expansion of the corrugated box plant at Weston-super-Mare, England.

15. Corrugated Containers



Research & Development



The Company's broad programme to increase utilization of wood and wood wastes, to develop more efficient methods of producing pulp and to seek out further solutions to pollution abatement problems continued through 1970. The new high yield kraft pulp process, which is a long term project because of the many technological innovations involved, was tested in 1970 in a pilot plant at Harmac. This initial operation indicates that

increased pulp yields may be realized and further tests are now proceeding to develop the project on a commercial basis.

Another pilot plant operation carried out in 1970 also shows promise. A new method of drying lumber was tested and shows that time savings of over 20% may be possible. This method may also assist in meeting the new and more stringent lumber standards.

The research programme relating to conversion of forest wastes into fertilizers and certain other chemical compounds was discontinued during the year and the Forest Chemical Division disbanded. Although encouraging technical progress had been made, investigation of potential world markets did not reveal satisfactory economic prospects at this time. Termination of this work resulted in a reduction of approximately 25% in the size of the Research and Development staff, which now totals just over 100.

A number of new wood specialty products, process cost reductions and patents on inventions were achieved in 1970.

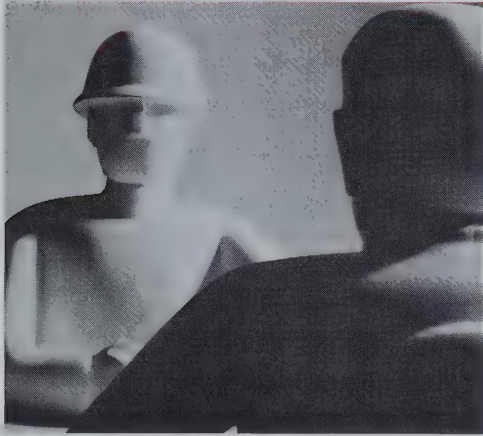


International Operations

The Company continued its policy of remaining alert to appropriate investment opportunities outside Canada. In North Sydney, Australia, an investment was made through the medium of MacMillan Bloedel Pty. Limited in two major property developments in association with Jardine, Matheson & Co. (Australia) Pty. Ltd. This investment provides a 20% equity in these two projects, and represents an important diversification by MacMillan Bloedel into one of the chief areas of growth opportunity in the Australian economy. The two projects will be completed in 1973 and 1974 respectively.

Reflecting further interest in the Pacific Rim countries, the jointly owned enterprise of MacMillan Jardine Limited has agreed to establish a Malaysian company in conjunction with the State Government of Pahang to carry on a small hardwood logging operation. Consideration will later be given to the establishment of a sawmill and plywood

Industrial Relations



Twenty-nine union agreements were negotiated during the year in Canada and the United States — 13 for a period of two years and 16 for a period of three years. Twenty-four agreements were negotiated without interruption of work and five after work stoppages. Three of these stoppages resulted from strikes by the Pulp and Paper Workers of Canada against the Company's pulp mill at Harmac and the corrugated plants at Calgary and Edmonton. In the latter cases the strikes

began in 1969 but were terminated in 1970 when the union was decertified at the request of the employees at those two plants. The Harmac strike was settled when the Pulp and Paper Workers of Canada, which had struck about one half of the mills in British Columbia, accepted the three year terms negotiated with the other mills without strife by the International Brotherhood of Pulp, Sulphite and Paper Mill Workers and the United Papermakers and Paperworkers.

The Company continues to stress safety requirements in all of its operations and two of the Company's divisions, the Bag and Specialty Plant and the New Westminster Sawmill Division, achieved one million man hours without any lost time due to injury. For the Bag and Specialty Plant this represented continuous accident-free operation since 1957.

During 1970, another 141 employees completed 25 years' service. The Company's Twenty-five Year Club membership now numbers 2,109 of whom 1,178 are still actively employed.

plant. If the operation proves successful, adjacent timberlands will permit very substantial expansion.

During 1970, details were completed for the merger into MacMillan Jardine Limited of the hardwood lumber business of Jardine, Matheson & Co. (Japan) Ltd. Effective January 1, 1971, this expanded the business of MacMillan Jardine Limited into the important field of hardwood log, lumber and veneer marketing in Japan.

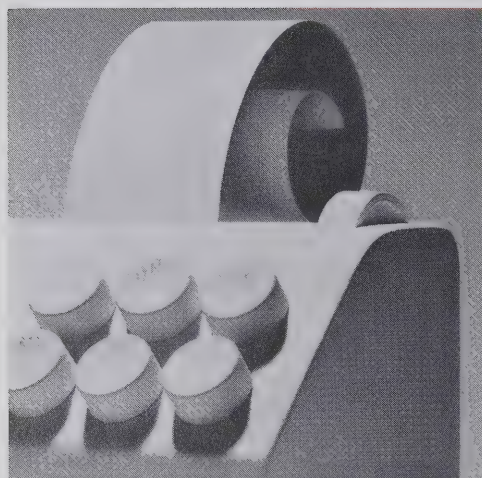
MacMillan Bloedel acquired in 1970 the 40% interest in the Company's Alabama linerboard operation which had been owned by United Brands Company (formerly United Fruit Company). This acquisition provides the Company with a 100% interest in an integrated forest industry operation in the Southern States and, as a result, affords greater flexibility in future planning.

In Europe, our associated company Koninklijke Nederlandsche Papierfabriek N.V. (KNP) had

a successful year in contrast with the experience of many other companies in the same field in the European Economic Community. Market conditions have, however, deteriorated in recent months and while KNP is well positioned to take advantage of opportunities in its marketing area, the general weakness in the economy of the EEC is expected to cause some erosion in earnings for the European fine paper industry.

Conditions in Spain were especially difficult during 1970 and Celupal S.A., a small fine paper producer in which MacMillan Bloedel holds a 37½% interest, operated at a loss. KNP also holds 37½% of the outstanding equity and the balance is in the hands of Spanish associates. Prospects for the current year are for a modest upturn in the Spanish economy and it is expected that the mill will operate at close to a break-even point after depreciation and interest on Spanish Government loans.

Finance



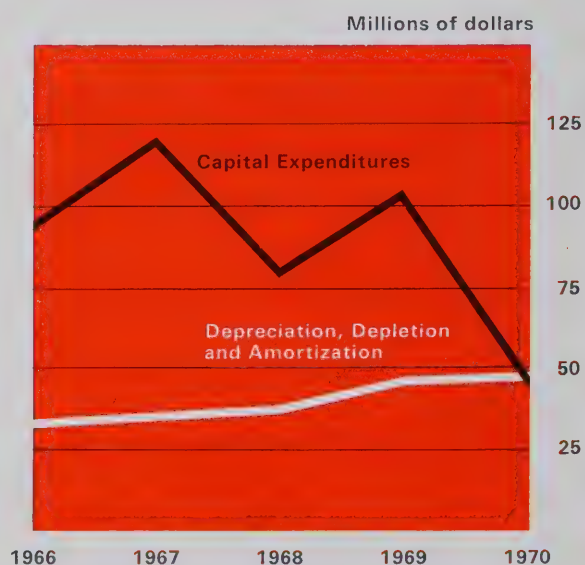
The sharp decrease in profits for the 1970 year, ongoing capital expenditures and debt repayment commitments, and the maintenance of dividend payments at the \$1.00 per share level combined to reduce working capital from \$96,009,222 as at the end of 1969 to \$80,480,802 at the end of 1970. The ratio of current assets to current liabilities declined accordingly from 1.87:1 in 1969 to 1.66:1 in 1970. To supplement cash flow derived from operations, the Company followed a policy of borrowing on short term during 1970 because tight money conditions made longer term financing unattractive. Circumstances have now changed somewhat and the Company has filed a preliminary prospectus in connection with an issue of long term debentures. A substantial part of the proceeds of this issue, which will be for an amount of not more than \$30 million, will be applied against short term borrowings, thus significantly improving the Company's working capital position.

16. Distribution of Shares and Shareholders

As at February 12, 1971	Shares	Shareholders
Canada	16,016,357	19,825
United States	4,207,403	1,199
United Kingdom	50,556	105
Other	95,000	246
	<u>20,369,316</u>	<u>21,375</u>
Share Warrants	<u>507,069</u>	
	<u>20,876,385</u>	

In regard to share warrants, it is estimated that 75% are held in the U.S.A. and 25% in Canada. The number of warrant holders is not known.

17. Capital Expenditures



Because the sales of the Company's products continued at high levels during 1970 despite depressed markets, accounts receivable increased from \$91,662,100 in 1969 to \$93,763,029 in 1970. Inventories on the other hand decreased from \$104,718,229 to \$100,906,828. A reduction from the 1969 levels of inventories was to be expected since the latter were abnormally high as a result of the dock strike which inhibited shipments in the latter part of 1969.

The principal capital expenditures during 1970 were the outlays incurred in the construction of the second newsprint machine of MacMillan Rothesay Limited (\$23.6 million) and the costs of constructing new logging roads (\$6.6 million). Pollution control expenditures are included in the balance, but otherwise capital outlays have been under very tight control in line with the Company's policy of restraint during the period of low profitability.

Capital Expenditures

The total expenditures for the year were \$46,728,482 grouped under the following headings:

LOGGING:

Equipment and other facilities, timber and roads	\$11,234,031
--	--------------

WOOD PRODUCTS:

Acquisition of R. Laidlaw Lumber Co. Limited of Weston, Ontario, completion of Aspenite Division expansion and general improvements to operations	6,516,466
---	-----------

PULP AND PAPER:

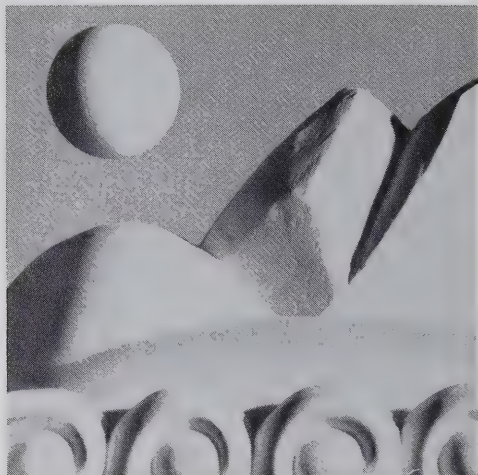
Expansion of MacMillan Rothesay paper mill, completion of the modification of paper machine at Powell River and general improvements to operations	26,440,644
--	------------

PACKAGING:

Expansion of New Westminster Corrugated Container and Burnaby Bag plants, and general improvements to operations	1,393,069
--	-----------

OTHER:

Costs in respect of newsprint barge for MacMillan Rothesay operations and sundry additions	1,144,272
	<u>\$46,728,482</u>



Pollution Abatement

A fairly widespread view prevails that before the awakening of public awareness of the problems arising from domestic and industrial pollution little or no action was taken by industrial concerns with respect to pollution abatement measures. It may, therefore, be of assurance to shareholders of the Company to re-iterate that MacMillan Bloedel has included pollution abatement in its major corporate goals for many years and is acknowledged by the government regulatory bodies and other informed observers to be an industry leader in the field.

MacMillan Bloedel now has 28 employees working full time on environmental and waste management studies at the Company's various operations in addition to outside consultants who are retained from time to time to help design major facilities. In 1970, a senior official was appointed to co-ordinate these activities.

At the Company's annual meeting last year, the Chairman announced that some \$30 million would be spent over a five year period solely for abatement of pollution by the Company's mills. This amount is a large outlay by any measure and the facilities built in 1970 represented a non-productive expense at a time of depressed earnings, but the programme must go forward as quickly as practicable until industrial wastes are treated and managed to the limits of available

technology. In many areas, of course, this point has already been reached. In others the Company has studies under way to determine the most effective devices or methods to deal with local conditions. Once technical problems are overcome, the work will go ahead. The following summary of projects completed or authorized in 1970 indicates the variety and complexity of the whole field of pollution abatement work in the industry.

The first phase of the large scale primary and secondary water treatment system to remove solids from mill effluent before it is discharged into the Alberni canal became operational in 1970. Also at Port Alberni, work was commenced on secondary precipitator equipment to remove 99.6% of all saltcake in exhaust gases from two of the recovery boilers. (This project was completed in early 1971.)

Detection and measurement are a large part of the control process, and the Company's research department in co-operation with the technical staff of the mills is developing a sophisticated monitoring device to detect and measure such compounds as hydrogen sulphide and sulphur dioxide in mill emissions. The device has been installed at the Alberni pulp mill and, when perfected, will be made available to the industry.

At Harmac, installation of an electrostatic precipitator in 1970 at a cost of \$871,000 is being followed by a second project, a

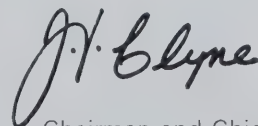
\$1,962,000 precipitator that will more than double precipitator capacity on the principal recovery boiler at this mill.

A settling lagoon at Chemainus Sawmill Division was completed in 1970 to treat and clean mill discharge waters of fine fibres and bark sludge before they are returned to the sea.

In the packaging area, improved methods for the disposal of ink effluents were applied in the lower mainland plants.

Installation of these facilities, of course, is only part of their costs. Their operation represents a continuous expense. Pollution abatement, therefore, has been for a number of years and will continue to be a permanent part of our operating costs.

In spite of the disappointing year in 1970 your Directors view the future of the Company and the industry with complete confidence. They express their gratitude to those employees who have served the Company efficiently and faithfully during a difficult period.



Chairman and Chief Executive Officer

Vancouver, Canada
March 25, 1971

Historical Review*

Operating

	1970	1969	1968
Production			
Logs..... (M Cu. Ft.).....	307,920	359,924	310,003
Lumber..... (M FBM).....	1,180,541	1,244,260	1,279,284
Plywood..... (M Sq. Ft. $\frac{3}{8}$ "').....	450,029	534,950	477,728
Shingles..... (Squares).....	420,929	449,837	469,598
Particleboards..... (M Sq. Ft. $\frac{3}{8}$ "').....	145,078	133,154	81,992
Specialty boards..... (M Sq. Ft.).....	21,419	22,668	18,235
Newsprint..... (Short tons).....	1,093,765	927,868	813,748
Pulp..... (Short tons).....	483,059	556,468	546,761
Kraft paper and paperboard..... (Short tons).....	349,298	455,654	239,285
Fine paper..... (Short tons).....	27,631	24,331	23,292
Corrugated containers..... (M Sq. Ft.).....	1,547,550	1,607,996	1,473,760
Wages, salaries and employee benefits.....	\$173,729,434	\$167,928,944	\$151,115,715
Number of employees at end of year.....	18,932	18,632	18,017

Financial

Income, all sources.....	\$651,101,304	\$644,466,779	\$584,490,606
Net earnings after income taxes and minority interests			
Amount.....	\$ 17,425,816	\$ 42,550,721	\$ 38,799,447
Per share.....	\$.83	\$ 2.04	\$ 1.86
Depreciation, depletion and amortization.....	\$ 48,231,191	\$ 47,046,573	\$ 38,886,342
Retained earnings (deficit) for the year.....	\$ (3,528,403)	\$ 21,602,233	\$ 17,865,303
Basic cash flow			
Amount.....	\$ 66,097,087	\$ 94,604,872	\$ 80,388,185
Per share.....	\$ 3.17	\$ 4.53	\$ 3.85
Capital expenditures.....	\$ 46,728,482	\$105,092,056	\$ 77,609,013
Percentage of long term debt to total capital employed (including deferred tax).....	36.2	37.0	37.1
Dividends			
Cash — Ordinary shares			
Amount.....	\$ 20,876,330	\$ 20,870,599	\$ 20,856,255
Per share.....	\$ 1.00	\$ 1.00	\$ 1.00
Cash — Preference shares			
Amount.....	\$ 77,889	\$ 77,889	\$ 77,889
Per share.....	\$.03	\$.03	\$.03
Stock			
Amount.....	—	—	—
Per share.....	—	—	—
Number of shareholders at end of year**.....	21,575	22,282	23,751

*Statistics do not reflect the consolidation of overseas subsidiaries other than for equity in net earnings (see Note 1 to Financial Statements).

**Excluding holders of share warrants.

***Includes tonnage purchased during strike.

The Consolidated Financial Statements shown on pages 20 through 23 reflect an extension of the deferred tax basis of accounting (See Note 8 to those statements). Certain 1969 figures have been correspondingly adjusted in order to compare with 1970. The figures for years prior to 1969 have not been so adjusted.

1967	1966	1965	1964	1963	1962	1961
274,677	273,425	238,900	215,512	206,206	194,519	171,715
1,139,437	1,037,806	1,014,757	915,206	804,102	744,024	707,792
416,664	406,271	386,457	374,036	372,054	356,974	347,523
443,816	430,852	479,983	452,002	449,323	385,423	413,565
89,905	68,557	38,016	—	—	—	—
12,950	7,517	1,580	—	—	—	—
832,361	896,361	843,968	790,850***	689,296	681,448	643,576
550,245	586,867	556,135	483,773	368,152	343,982	333,932
178,382	174,462	173,018	159,683***	159,635	134,825	120,971
20,801	20,043	17,868	14,482	12,089	8,429	5,194
1,454,032	1,057,038	699,881	679,291	665,240	669,523	606,697
\$132,698,261	\$116,772,119	\$101,485,089	\$89,500,618	\$81,724,493	\$77,526,441	\$74,865,659
16,549	15,959	14,930	14,360	13,430	13,074	13,282

\$540,584,464	\$478,954,359	\$437,182,442	\$413,308,840	\$349,368,343	\$330,669,043	\$315,323,217
\$ 36,189,166	\$ 42,460,618	\$ 40,594,282	\$ 41,440,597	\$ 36,660,068	\$ 36,081,809	\$ 27,395,968
\$ 1.74	\$ 2.04	\$ 1.95	\$ 1.99	\$ 1.76	\$ 1.73	\$ 1.32
\$ 31,101,353	\$ 28,340,222	\$ 23,976,158	\$ 29,007,429	\$ 22,486,653	\$ 21,514,897	\$ 21,903,353
\$ 11,083,772	\$ 16,343,477	\$ 15,551,676	\$ 16,425,091	\$ 15,828,813	\$ 20,462,118	\$ 11,776,277
\$ 74,850,159	\$ 90,988,165	\$ 76,778,597	\$ 76,009,563	\$ 65,652,332	\$ 59,742,099	\$ 49,632,603
\$ 3.59	\$ 4.36	\$ 3.68	\$ 3.65	\$ 3.15	\$ 2.87	\$ 2.38
\$119,863,008	\$ 90,418,360	\$ 52,324,668	\$ 78,439,712	\$ 47,119,433	\$ 37,608,336	\$ 18,613,028
36.7	35.0	16.3	19.3	10.1	11.4	13.2
\$ 25,027,505	\$ 20,856,255	\$ 20,848,755	\$ 20,846,255	\$ 20,831,255	\$ 15,619,691	\$ 15,619,691
\$ 1.20	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$.75	\$.75
\$ 77,889	\$ 46,822	\$ 24,600	—	—	—	—
\$.03	\$.03	\$.03	—	—	—	—
—	\$ 5,214,064	\$ 4,169,251	\$ 4,169,251	—	—	—
—	\$.25	\$.20	\$.20	—	—	—
24,671	24,415	23,135	20,597	18,909	18,962	18,606

Consolidated Balance Sheet

December 31 1970

Assets

	1970	1969
CURRENT ASSETS:		
Cash	\$ 2,693,960	\$ 2,053,279
Short term investments and deposits	1,405,050	—
Trade and other accounts receivable	93,763,029	91,662,100
Amounts receivable from non-consolidated subsidiaries	1,751,985	5,291,638
Inventories (Note 2)	100,906,828	104,718,229
Prepaid expenses	2,616,971	2,624,349
	<u>203,137,823</u>	<u>206,349,595</u>
INVESTMENTS AND OTHER ASSETS:		
Non-consolidated subsidiaries —		
Investments (Note 1)	48,801,980	46,567,599
Advances	1,123,614	1,123,614
Partly-owned companies (Note 3)	22,043,063	19,596,576
Investments at cost, having quoted market value of \$7,240,030 (1969 — \$9,109,468)	5,453,688	6,280,009
Other	4,875,369	4,876,864
	<u>82,297,714</u>	<u>78,444,662</u>
PROPERTY, PLANT AND EQUIPMENT (Note 4):		
Pulp and paper mills, sawmills, plywood mills, other buildings, machinery and equipment, including leased facilities, at cost . . .	771,809,529	760,104,568
Less —		
Accumulated depreciation	360,574,408	336,649,553
	411,235,121	423,455,015
Construction in progress	28,270,187	14,147,448
Timber and land, at cost less accumulated depletion of \$74,722,751 (1969 — \$68,392,795)	89,616,725	93,540,121
Logging roads, at cost less amortization	18,276,061	17,758,219
	<u>547,398,094</u>	<u>548,900,803</u>
BOND AND DEBENTURE DISCOUNT AND FINANCING EXPENSES, at cost less amortization	<u>1,440,881</u>	<u>1,561,005</u>
	<u>\$834,274,512</u>	<u>\$835,256,065</u>

Certain 1969 figures have been reclassified for comparison with 1970.

Liabilities

	1970	1969
CURRENT LIABILITIES:		
Bank indebtedness (Note 5)	\$ 49,574,989	\$ 41,132,339
Notes payable	16,280,000	—
Accounts payable and accrued liabilities	53,398,909	52,773,234
Income taxes payable (recoverable)	(6,781,211)	9,153,720
Current portion of long term debt (Note 7)	7,717,294	5,858,981
Deferred income taxes (Note 8)	2,467,040	1,422,099
	<u>122,657,021</u>	<u>110,340,373</u>
LONG TERM DEBT:		
Bonds and debentures (Notes 6 and 14)	232,465,351	240,246,641
Other secured liabilities	24,966,324	28,247,571
	<u>257,431,675</u>	<u>268,494,212</u>
DEFERRED INCOME TAXES (Note 8)	67,794,234	67,969,624
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	12,034,522	10,572,278
	<u>459,917,452</u>	<u>457,376,487</u>
Shareholders' Equity		
SHARE CAPITAL:		
3% non-cumulative preference shares with a par value of \$1 each (redeemable at par) —		
Authorized — 2,749,066 shares		
Outstanding — 2,596,285 shares	2,596,285	2,596,285
Ordinary shares without nominal or par value (Note 9) —		
Authorized — 25,000,000 shares		
Outstanding — 20,876,385 shares (1969 — 20,876,165 shares)	160,035,477	160,029,592
	<u>162,631,762</u>	<u>162,625,877</u>
RETAINED EARNINGS	211,725,298	215,253,701
	<u>374,357,060</u>	<u>377,879,578</u>
COMMITMENTS (Note 10)		
CONTINGENT LIABILITIES (Note 11)		
	<u>\$834,274,512</u>	<u>\$835,256,065</u>

APPROVED ON BEHALF OF THE BOARD:

J. V. Clyne *Director*

G. B. Currie *Director*

Consolidated Statement of Earnings

For the year ended December 31 1970

	1970	1969
Sales and other income:		
Sales of products and services (Note 12)	\$646,116,116	\$638,410,876
Other income (Note 13)	4,985,188	6,055,903
	<u>651,101,304</u>	<u>644,466,779</u>
Costs and expenses:		
Cost of sales and services (Note 13)	553,551,934	502,054,833
Marketing, advertising and promotion expenses	16,032,250	14,038,256
General and administrative expenses (Note 13)	26,477,275	23,619,402
Interest on long term debt	13,798,350	12,211,960
Bank and other interest	4,815,791	1,453,020
	<u>614,675,600</u>	<u>553,377,471</u>
Earnings before income taxes and minority interests	<u>36,425,704</u>	<u>91,089,308</u>
Income taxes:		
Current	17,634,991	41,941,680
Deferred (Note 8)	1,198,682	5,948,714
	<u>18,833,673</u>	<u>47,890,394</u>
Earnings before minority interests	<u>17,592,031</u>	<u>43,198,914</u>
<i>Deduct—</i>		
Minority interests in earnings of consolidated subsidiaries	166,215	648,193
Net earnings for the year	<u>\$ 17,425,816</u>	<u>\$ 42,550,721</u>
Net earnings per ordinary share	<u>\$.83</u>	<u>\$2.04</u>

Consolidated Statement of Retained Earnings

For the year ended December 31 1970

	1970	1969
Balance at beginning of year	\$215,253,701	\$193,651,468
Net earnings for the year	17,425,816	42,550,721
	<u>232,679,517</u>	<u>236,202,189</u>
Dividends:		
On ordinary shares — \$1.00 per share in both years	20,876,330	20,870,599
On preference shares	77,889	77,889
	<u>20,954,219</u>	<u>20,948,488</u>
Balance at end of year	<u>\$211,725,298</u>	<u>\$215,253,701</u>

Consolidated Statement of Source and Application of Working Capital

For the year ended December 31 1970

	1970	1969
Source of working capital:		
Operations —		
Net earnings	\$ 17,425,816	\$ 42,550,721
Non-cash charges:		
Depreciation, depletion, and amortization		
of logging roads	48,231,191	47,046,573
Deferred income taxes	153,741	4,231,616
Minority interests in earnings of		
consolidated subsidiaries	166,215	648,193
Amortization of bond and debenture discount		
and financing expenses	120,124	127,769
	66,097,087	94,604,872
Equity provided by minority interests (net)	1,296,029	9,613,084
Exercise of stock options	5,885	532,592
	<u>67,399,001</u>	<u>104,750,548</u>
Application of working capital:		
Net additions to property, plant and equipment	46,728,482	105,092,056
Less —		
Financed from funds allocated for capital		
purposes and by long term debt	2,338,438	28,157,190
	44,390,044	76,934,866
Dividends	20,954,219	20,948,488
Investments in and advances to		
non-consolidated subsidiaries	2,234,381	2,096,927
Investments in and advances to		
partly-owned companies	2,446,487	4,084,012
Payments of and current provision for		
— bonds and debentures	8,701,290	5,712,808
— other secured liabilities	3,591,913	269,778
Other items (net)	609,087	(2,460,604)
	<u>82,927,421</u>	<u>107,586,275</u>
Decrease in working capital	15,528,420	2,835,727
Working capital at beginning of year	96,009,222	98,844,949
Working capital at end of year	<u>\$ 80,480,802</u>	<u>\$ 96,009,222</u>

. Certain 1969 figures have been reclassified for comparison with 1970.

Auditors' Report

To the Shareholders of MacMillan Bloedel Limited:

We have examined the consolidated balance sheet of MacMillan Bloedel Limited as at December 31 1970 and the consolidated statements of earnings, retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31 1970, and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 15 1971
Vancouver, B.C.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

Notes to Consolidated Financial Statements

December 31 1970

1. PRINCIPLES OF CONSOLIDATION:

The company includes in its consolidated financial statements the accounts of all subsidiaries other than overseas subsidiaries operating in the United Kingdom and elsewhere. The equity of MacMillan Bloedel Limited in the net earnings for the year of the non-consolidated subsidiaries is included in the accompanying consolidated statement of earnings. The investments in these subsidiaries are carried on the consolidated balance sheet at a cost of \$38,347,444 plus the company's share of undistributed net earnings since acquisition, \$10,454,536. While the carrying value of the investments is in excess of the related equity in the net assets at book value, it is not considered that any provision for amortization is required.

Current assets and current liabilities in foreign currencies have been translated into Canadian dollars at rates related to forward exchange contracts or, where not covered by forward exchange contracts, at the rates of exchange in effect as at the balance sheet dates; other assets (and related depreciation, depletion and amortization) and liabilities at the rates in effect at the dates on which the assets were acquired or the liabilities were incurred; and items affecting net earnings (other than inventories, depreciation, depletion and amortization) at the average rates for the year. The net balance arising from the translation of foreign currencies, including an immediate loss on foreign exchange of approximately \$1,600,000 (after tax reduction thereon) incurred May 31 1970 as a result of the unpegging of the Canadian dollar, has been included in net earnings. Withholding taxes on dividends received from foreign subsidiaries have been charged to net earnings when paid.

2. INVENTORIES:

	December 31	
	1970	1969
Logs, pulp chips and other raw materials	\$ 37,662,735	\$ 39,677,801
Lumber, plywood and other wood products	35,412,887	34,565,751
Pulp and paper products	10,635,438	13,945,117
Packaging products	2,008,312	1,984,619
Operating and maintenance supplies	15,187,456	14,544,941
	<u>\$100,906,828</u>	<u>\$104,718,229</u>

Logs, pulp chips and other raw materials and operating and maintenance supplies were valued at the lower of cost and replacement cost, and manufactured products at the lower of cost and net realizable value.

3. PARTLY-OWNED COMPANIES:

Particulars of the investments (carried at cost) in and advances to those partly-owned companies in which the company holds an interest of 30% to 50% were as follows:

	December 31	
	1970	1969
Shares of Koninklijke Nederlandsche Papierfabriek N.V. — 41.3% interest (1969 — 36% interest) . .	\$ 16,458,591	\$ 15,214,506
Shares and advances to Celupal, S.A. — 37½% interest —		
Shares	1,278,395	1,260,415
Advances	3,779,017	2,990,802
Other investments and advances	527,060	130,853
	<u>\$ 22,043,063</u>	<u>\$ 19,596,576</u>

4. PROPERTY, PLANT AND EQUIPMENT:

	Cost	Accumulated depreciation	Net book value
December 31 1970:			
Pulp and paper mills	\$552,122,648	\$246,491,594	\$305,631,054
Sawmills, plywood mills and other wood products plants	100,379,038	53,693,282	46,685,756
Logging buildings and equipment	64,265,767	40,608,882	23,656,885
Packaging plants	20,069,994	10,487,086	9,582,908
Other buildings and equipment	34,972,082	9,293,564	25,678,518
	<u>\$771,809,529</u>	<u>\$360,574,408</u>	<u>\$411,235,121</u>
December 31 1969:			
Pulp and paper mills	\$549,406,482	\$234,062,160	\$315,344,322
Sawmills, plywood mills and other wood products plants	95,464,184	47,721,343	47,742,841
Logging buildings and equipment	62,644,610	37,409,120	25,235,490
Packaging plants	18,759,276	9,569,132	9,190,144
Other buildings and equipment	33,830,016	7,887,798	25,942,218
	<u>\$760,104,568</u>	<u>\$336,649,553</u>	<u>\$423,455,015</u>

The company's plant facilities in Alabama and its head office building are held under long term leases containing provisions which indicate that the assets should be accounted for on a basis of ownership. Accordingly, the cost of these leased assets, aggregating \$87,750,000 at December 31 1970 (\$86,643,998 at December 31 1969) and related depreciation and long term debt are included in the accompanying financial statements.

MacMillan Rothesay Limited, a partly-owned subsidiary, is constructing a second paper machine and related facilities at Saint John, New Brunswick. Total capital cost of this project which is expected to be completed by March 1971 is estimated at \$38,400,000, of which \$28,270,187 has been incurred to December 31 1970 and is shown as construction in progress in the accompanying balance sheet.

5. BANK INDEBTEDNESS:

	December 31	
	1970	1969
Bank loans —		
Secured.....	\$ —	\$ 2,714,000
Unsecured.....	44,779,465	33,071,703
	<u>44,779,465</u>	<u>35,785,703</u>
Other indebtedness.....	4,795,524	5,346,636
	<u>\$ 49,574,989</u>	<u>\$ 41,132,339</u>

6. BONDS AND DEBENTURES:

	December 31	
	1970	1969
MacMillan Bloedel Limited —		
4.95% sinking fund debentures Series "A" maturing October 1 1990:		
\$42,000,000 U.S. (Canadian equivalent* \$42,420,000).....	\$ 45,120,383	\$ 45,120,383
5½% ten-year term debentures Series "B" maturing January 3 1976.....	50,000,000	50,000,000
6½% sinking fund debentures Series "C" maturing July 15 1992:		
\$29,878,000 U.S. (Canadian equivalent* \$30,176,780).....	<u>32,198,027</u>	<u>32,329,500</u>
	<u>127,318,410</u>	<u>127,449,883</u>
MacMillan Bloedel Industries Limited —		
Sinking fund debentures:		
5% twenty-year debentures Series "A" maturing May 15 1978.....	8,380,000	9,579,000
4% twenty-year debentures Series "B" maturing May 15 1978:		
\$3,925,000 U.S. (Canadian equivalent* \$3,964,250).....	<u>3,776,586</u>	<u>4,402,008</u>
	<u>12,156,586</u>	<u>13,981,008</u>
Burnaby Paperboard Ltd. —		
First mortgage and collateral trust bonds:		
1955 Series —		
4½% sinking fund bonds maturing September 1 1975.....	3,355,000	3,531,500
1958 Series —		
5¼% sinking fund bonds maturing May 15 1978.....	<u>1,700,000</u>	<u>1,753,000</u>
	<u>5,055,000</u>	<u>5,284,500</u>
Kingsway Lumber Co. Limited —		
6¾% sinking fund debentures:		
Series "A" maturing December 15 1982.....	734,500	806,500
Series "B" maturing February 1 1985.....	<u>670,000</u>	<u>713,000</u>
	<u>1,404,500</u>	<u>1,519,500</u>
MacMillan Bloedel Products Inc.** —		
3.95% to 4.10% industrial development revenue bonds, maturing June 1 1971 to 1975:		
\$2,260,000 U.S. (Canadian equivalent* \$2,282,600).....	2,429,500	2,945,500
4% sinking fund industrial development revenue bonds, maturing June 1 1988:		
\$10,800,000 U.S. (Canadian equivalent* \$10,908,000).....	<u>11,610,000</u>	<u>11,610,000</u>
	<u>14,039,500</u>	<u>14,555,500</u>
Carried forward.....	<u>\$159,973,996</u>	<u>\$162,790,391</u>

Notes to Consolidated Financial Statements (continued)

December 31 1970

	December 31	
	1970	1969
Brought forward	\$159,973,996	\$162,790,391
MacMillan Bloedel United Inc.** —		
3.95% to 4.10% industrial development revenue bonds, maturing June 1 1971 to 1975:		
\$9,040,000 U.S. (Canadian equivalent* \$9,130,400)	9,718,000	11,776,625
4% sinking fund industrial development revenue bonds, maturing June 1 1988:		
\$43,200,000 U.S. (Canadian equivalent* \$43,632,000)	46,440,000	46,440,000
	<u>56,158,000</u>	<u>58,216,625</u>
MacMillan Rothesay Limited —		
6% first mortgage and collateral sinking fund bonds, Series "A", maturing March 1 1985:		
\$12,510,000 U.S. (Canadian equivalent* \$12,635,100)	13,448,250	14,340,500
6% general mortgage sinking fund bonds, Series "A", maturing October 1 1985	7,900,000	8,600,000
7½% debenture certificate, due December 31 1979	22,500	22,500
	<u>21,370,750</u>	<u>22,963,000</u>
R. Laidlaw Lumber Co. Limited —		
6% serial debentures maturing October 15 1971 and 1972	80,000	—
6% general debentures, due January 15 1978	800,000	—
	<u>880,000</u>	<u>—</u>
MacMillan Bloedel (Manitoba) Limited —		
4% debentures maturing July 1 1970	—	160,700
	<u>238,382,746</u>	<u>244,130,716</u>
Less —		
Payments due within one year, before adjustment to current rate of exchange (Notes 1 and 7) ..	5,917,395	3,884,075
	<u>\$232,465,351</u>	<u>\$240,246,641</u>

*Represents Canadian equivalent calculated at the rate of exchange in effect at December 31 1970.

**These industrial development revenue bonds are direct obligations of The Industrial Development Board of the Town of Camden, Alabama (see Note 4).

7. PAYMENTS ON LONG TERM DEBT:

Payments on long term debt required for each of the five years after December 31 1970 are as follows:

	Bonds and debentures	Other secured liabilities	Total
1971 (after adjustment to current rate of exchange — Notes 1 and 6)	\$ 5,566,000*	\$2,151,294	\$ 7,717,294
1972	7,095,395*	1,983,818	9,079,213
1973	9,949,639*	2,059,467	12,009,106
1974	10,268,042	4,127,051	14,395,093
1975	12,870,167	1,233,611	14,103,778

*Reduced by purchase and cancellation of bonds and debentures up to December 31 1970.

8. DEFERRED INCOME TAXES:

The company records income taxes on the tax allocation basis recommended by The Canadian Institute of Chartered Accountants, wherever this basis is appropriate. In the case of accumulated losses of certain subsidiaries, aggregating approximately \$9,100,000 to December 31 1970, as the recommended requirements were not present, this basis of accounting for income taxes was not followed; accordingly, these losses are available to reduce income tax provisions of such subsidiaries in future years.

As recommended in 1970 by The Canadian Institute of Chartered Accountants, accumulated income tax allocation balances resulting from the application of deferred tax accounting have been classified in the balance sheet as current or non-current depending on the classification of the assets or liabilities to which they relate. The consolidated balance sheet as at December 31 1969 has been restated on this basis for comparative purposes.

9. STOCK OPTIONS:

Under the company's stock option plan, options for ordinary shares may be granted to key employees, exercisable by dates fixed by the Board of Directors, at share prices equal to at least 90% of the closing price on the Vancouver Stock Exchange on the last business day before the options were granted. During 1970 options for 220 shares were exercised and the shares issued at \$26.75 per share for a total cash

consideration of \$5,885, and similar options for 70,270 shares expired on October 6 1970. As at December 31 1970 options were outstanding as follows:

Exercisable on or before March 4 1971 at \$26.75 per share	2,600
Exercisable on or before November 6 1974 at \$29.70 per share	31,500
	<u>34,100</u>

10. COMMITMENTS:

In addition to commitments in respect of the construction in progress referred to in Note 4, the company is committed in respect of the following:

(a) An annual rental of \$145,239 (excluding taxes, insurance and other occupancy expenses payable by the company) up to 1988 under a lease of its former head office building (now sublet to other tenants).

(b) The charter by one of the company's subsidiaries of certain vessels under agreements for varying periods up to May 1977 at rentals aggregating \$20,589,000 for the periods of charter. The rentals due under these agreements are as follows:

1971 to 1975 (\$3,676,000 annually)	\$18,380,000
1976	1,702,000
1977	507,000
	<u>\$20,589,000</u>

(c) The acquisition of timber in Alabama under long term cutting contracts requiring minimum annual payments (extending in some cases to the year 2030); payments of approximately \$1,767,500 are required in each of the next five years.

(d) Agreements with certain of the company's executive officers (including some now retired), which call for pension payments, not funded or otherwise provided for, to be made under certain conditions following retirement.

(e) In 1965 the company acquired a mill site, development plans for such site and cutting rights to 5.1 million acres of timberland near Whitecourt, Alberta at a cost of \$1,725,500. The cutting rights were granted by the Government of Alberta subject to the condition that the company commence construction of a pulp or paper mill. In view of recent studies indicating that the undertaking may not be economically justified at the present time, construction was not commenced by January 1 1971 as originally contemplated. Failure to commence construction by June 30 1971 may result in the lapse of the exclusive cutting rights if no alternative arrangements can be made with the Alberta Government.

11. CONTINGENT LIABILITIES:

The company and its subsidiaries were contingently liable as at December 31 1970 in respect of bills discounted and bank guarantees in the amounts of \$4,429,401 and \$1,502,000 respectively.

12. SALES OF PRODUCTS AND SERVICES:

Sales, as in prior years, include the sales of products for account of, or purchased from, other manufacturers on which the margin of gross profit realized by the company is substantially less than that realized on the sale of its own manufactured products.

13. SUPPLEMENTARY EARNINGS STATEMENT INFORMATION:

(a) Other income for the year ended December 31 1970 and 1969 comprised the following:

	December 31	
	1970	1969
Equity in net earnings of non-consolidated subsidiaries (Note 1)	\$ 2,623,260	\$ 2,895,397
Income from other investments	1,288,118	2,215,816
Profit on disposal of investments and property, plant and equipment	1,073,810	944,690
	<u>\$ 4,985,188</u>	<u>\$ 6,055,903</u>

(b) Cost of sales and services included the following for the years ended December 31 1970 and 1969:

	December 31	
	1970	1969
Depreciation	\$35,594,145	\$32,843,569
Depletion	6,534,581	7,918,107
Amortization of logging roads	6,102,465	6,284,897
	<u>\$48,231,191</u>	<u>\$47,046,573</u>

In both years, depreciation has been computed on a straight-line basis on original cost at rates varying from 2½% on buildings to 15% on logging equipment, depletion has been provided on a timber cut basis, and amortization of logging roads has been determined on a basis related to log production.

(c) General and administrative expenses included remuneration paid to the directors, including remuneration paid to certain directors in their capacities as senior officers of the company, aggregating \$647,060 for the year ended December 31 1970 (1969 — \$586,984).

14. SUBSEQUENT EVENT:

The company has entered into negotiations with underwriters to issue Series "D" debentures under supplemental amendments to its existing Trust Indenture. The total amount, interest rate and term of the debentures have not yet been determined.

Logging operations, plants and distribution centres

LOGGING OPERATIONS, B.C.

Cameron
Chemainus
Cortez Island
Eve River
Franklin River
Iron River
Jervis Inlet
Justkatla
Kelsey Bay
Kennedy Lake
Kitimat
Knight Inlet
Menzies Bay
Misery Creek
Northwest Bay
Perketts Creek
Phillips Arm
Port Hardy
St. Vincent Bay
Shawnigan
Skidegate
Sproat Lake
Squamish
Stillwater
Theodosia
Turnour Island
Wilson Creek

CEDAR POLE YARD New Westminster, B.C.

LUMBER
Chemainus, B.C.
Harmac, B.C.
New Westminster, B.C.
Pine Hill, Alabama
Port Alberni, B.C.
Powell River, B.C.
Vancouver, B.C.

PLYWOOD Pine Hill, Alabama Port Alberni, B.C. Vancouver, B.C.

WOOD PRODUCT SPECIALTIES
Hudson Bay, Sask.
Aspenite Panelboard
Port Alberni, B.C.
Shingles
Vancouver, B.C.
Particleboard
Pres-to-logs
Shingles
Specialty Boards

NEWSPRINT AND GROUNDWOOD PAPERS Port Alberni, B.C. Powell River, B.C. Saint John, N.B.

PULP
Harmac, B.C.
Bleached Sulphate
Port Alberni, B.C.
Unbleached Sulphate
Powell River, B.C.
Semi-bleached Sulphate

OTHER PAPER AND BOARD PRODUCTS Annacis Island, New Westminster, B.C.

Fine Papers
Pine Hill, Alabama
Linerboard
Port Alberni, B.C.
Kraft Corrugating Medium
Kraft Paper
Linerboard

CORRUGATED CONTAINER PLANTS

CANADA

Winnipeg, Man.
Regina, Sask.
Edmonton, Alta.
Calgary, Alta.
New Westminster, B.C.

UNITED KINGDOM

Hatfield, Herts.
Nelson, Lancs.
Southall, Middlesex
West Auckland, Co. Durham
Weston-super-Mare, Somerset

UNITED STATES

Baltimore, Md.
Jersey City, N.J.

CARTON PLANT

Burnaby, B.C.
Folding and Rigid Cartons
Milk Cartons
Specialty Cartons

BAG AND SPECIALTY PLANT

Burnaby, B.C.
Kraft Paper Bags
Notion and Millinery Bags
Wrapping Papers

Directors

PRENTICE BLOEDEL *Bainbridge Island, Washington, U.S.A.*
Retired—former Vice-Chairman, MacMillan & Bloedel Limited

R. W. BONNER Q.C. *Vancouver, British Columbia*
Executive Vice-President, Administration,
MacMillan Bloedel Limited

ANSON BROOKS *Seattle, Washington, U.S.A.*
President, Powell River-Alberni Sales Corporation

J. M. BUCHANAN *Vancouver, British Columbia*
Retired—Chancellor Emeritus, University of British Columbia

A. B. CHRISTOPHER *Vancouver, British Columbia*
Chairman of the Board, Nelsons Laundries Limited

THE HONOURABLE J. V. CLYNE *Vancouver, British Columbia*
Chairman of the Board and Chief Executive Officer,
MacMillan Bloedel Limited

N. R. CRUMP *Montreal, Quebec*
Chairman, Canadian Pacific Railway Company

G. B. CURRIE *Vancouver, British Columbia*
Vice-President, Finance,
MacMillan Bloedel Limited

GORDON FARRELL *Vancouver, British Columbia*
Chairman, Ocean Cement & Supplies Ltd.

L. G. HARRIS *Vancouver, British Columbia*
Executive Vice-President, International,
MacMillan Bloedel Limited

J. O. HEMMINGSEN *Vancouver, British Columbia*
Executive Vice-President, Natural Resources,
MacMillan Bloedel Limited

J. N. HYLAND *Vancouver, British Columbia*
Retired—former Chairman and Chief Executive Officer,
British Columbia Packers Ltd.

JOHN LECKY *Vancouver, British Columbia*
President, Smith, Davidson & Lecky Limited

H. T. MITCHELL *Vancouver, British Columbia*
President, Mitchell Press Limited

J. E. RICHARDSON *Vancouver, British Columbia*
President and Chief Executive Officer,
British Columbia Telephone Company

G. T. SOUTHAM *Vancouver, British Columbia*
President, Pioneer Envelopes Ltd.

C. A. SPECHT *Chicago, Illinois, U.S.A.*
President and Chief Executive Officer,
Consolidated Packaging Corp.

D. W. TIMMIS *Vancouver, British Columbia*
Executive Vice-President, Operations,
MacMillan Bloedel Limited

FREDERICK WILSON *Spokane, Washington, U.S.A.*
Investment Counsel

C. B. WRIGHT *Seattle, Washington, U.S.A.*
President, Pentagram Corporation

SALES OFFICES AND DISTRIBUTION CENTRES

Wood Products

CANADA

Eastern

Truro, N.S.
Drummondville, Que.
Montreal, Que.
Quebec City, Que.
Rimouski, Que.
Belleville, Ont.
Brantford, Ont.
Chatham, Ont.
Fonthill, Ont.
Kitchener, Ont.
London, Ont.
Orillia, Ont.
Ottawa, Ont.
Owen Sound, Ont.
Sudbury, Ont.
Timmins, Ont.
Toronto, Ont.
Windsor, Ont.
R. Laidlaw Lumber Co. Limited
Noranda, Que.
London, Ont.
North Bay, Ont.
Ottawa, Ont.
Sault Ste. Marie, Ont.
Kingsway Lumber Co. Limited
Toronto, Ont.

Western

Winnipeg, Man.
Regina, Sask.
Saskatoon, Sask.
Edmonton, Alta.
Calgary, Alta.
Lethbridge, Alta.
Vancouver, B.C.

UNITED STATES

New York, N.Y.
Birmingham, Ala.

Blanchard Lumber Company

Walpole, Mass.
Rensselaer, N.Y.
Wayne, N.J.
Camden, N.J.
Baltimore, Md.
Fort Lauderdale, Fla.
Jacksonville, Fla.
West Hartford, Conn.
Portland, Ore.

Principal subsidiary companies

Alberni Pulp & Paper Ltd.
Blanchard Lumber Company
Canadian Transport Company Limited
Canadian Transport (Terminals) Limited
Kingcome Navigation Company Limited
Kingsway Lumber Co. Limited
R. Laidlaw Lumber Co. Limited
MacMillan Bloedel (Alabama) Inc.
MacMillan Bloedel (Alberni) Limited
MacMillan Bloedel Building Limited
MacMillan Bloedel Building Materials (B.C.) Limited
MacMillan Bloedel Building Materials Limited
MacMillan Bloedel Building Materials (Supply) Ltd.
MacMillan Bloedel Containers Limited
MacMillan Bloedel Industries Limited
MacMillan Bloedel Meyer Limited
MacMillan Bloedel Meyer (Terminals) Limited
MacMillan Bloedel (New York) Inc.
MacMillan Bloedel Packaging Limited
MacMillan Bloedel Products Inc.
MacMillan Bloedel Pty. Limited
MacMillan Bloedel Pulp and Paper Sales Limited
MacMillan Bloedel Research Limited
MacMillan Bloedel Sales Inc.
MacMillan Bloedel (Saskatchewan) Limited
MacMillan Bloedel United Inc.
MacMillan Jardine Limited
MacMillan Rothesay Limited

Executive Committee

THE HONOURABLE J. V. CLYNE (*Chairman*)
PRENTICE BLOEDEL
R. W. BONNER Q.C.
G. B. CURRIE
L. G. HARRIS
J. O. HEMMINGSEN
J. N. HYLAND
C. A. SPECHT

Officers

THE HONOURABLE J. V. CLYNE
Chairman of the Board and Chief Executive Officer
L. G. HARRIS *Executive Vice-President, International*
J. O. HEMMINGSEN *Executive Vice-President, Natural Resources*
R. W. BONNER Q.C. *Executive Vice-President, Administration*
D. W. TIMMIS *Executive Vice-President, Operations*
G. B. CURRIE *Vice-President, Finance*
H. R. CHISHOLM *Group Vice-President, Logging*
J. R. FORREST *Group Vice-President, Wood Products*
R. L. GILLEN *Group Vice-President, Pulp and Paper (Acting)*
H. V. TOWNSEND *Group Vice-President, Packaging*
R. M. BIBBS *Vice-President, Industrial Relations*
P. M. DOWNES *Vice-President, Corporate Communications*
F. H. BRITTON Q.C. *Secretary and General Counsel*

Officers (continued)

DR. L. A. COX *Director of Research*
J. H. LAWSON *Vice-President, Wood Products Manufacturing*
A. C. MCGOUGAN *Vice-President, Pulp and Paper Sales*
B. P. PAGE *Vice-President, Wood Products Marketing*
J. S. ROGERS *Vice-President, Pulp and Paper Manufacturing*
I. S. BRAND *Director, Far Eastern Development*
T. P. BOYLE *Corporate Controller*
C. G. CHAMBERS *Treasurer*
D. H. FRICKER Q.C. *Corporate Solicitor*
A. P. MacBEAN *Chief Forester*
D. H. PARKINSON *Director, Financial Services*
E. N. WALTON *Chief Engineer*
E. G. LEGG *Assistant Treasurer*
R. D. MacFAYDEN *Assistant Secretary*
J. G. C. CUNNINGHAM *Assistant Secretary*

Registrars and Transfer Agents

THE ROYAL TRUST COMPANY *Vancouver*
THE CANADA TRUST COMPANY
Calgary, Regina, Winnipeg, Toronto, Montreal
THE CHASE MANHATTAN BANK *New York*

Auditors

PRICE WATERHOUSE & CO. *Vancouver*

